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C O N F I D E N T I A L YEREVAN 000034

SIPDIS

DEPARTMENT FOR EUR (DAS KENNEDY), EUR/CACEN, EUR/ACE

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TAGS: [BCIN](#) [ETTC](#) [KFPC](#) [PARM](#) [AM](#)

SUBJECT: EMBASSY YEREVAN SUPPORTS U.S. JOINING BLACK SEA ECONOMIC COUNCIL

REF: A) STATE 4274 B) 04 YEREVAN 2656 C) 04 YEREVAN 165

Classified By: Amb. John Evans for reasons 1.4 (b) and (d).

1. (C) Summary. Post strongly supports the United State's joining the Black Sea Economic Council (BSEC) as an observer, per ref A. There could be multiple benefits for the U.S.: we focus here on those that intersect with our regional goals in the South Caucasus. Due to Armenia's political isolation, BSEC is one of the few fora Armenia has where it can build economic ties with its neighbors. Armenia's representative to BSEC, stationed in Istanbul, is Armenia's only diplomatic representation in Turkey, despite a large Armenian population in Istanbul and significant trade between the countries. The presence of the United States as an observer could help BSEC achieve its goal (and our strategic objective) of expanding multilateral economic cooperation among its member states. Specifically, the U.S. could use its observer status to discourage the use of BSEC to isolate Armenia, as has happened with GUUAM (an organization comprising Georgia, Ukraine, Uzbekistan, Azerbaijan and Moldova) and as Azerbaijan has pushed for in another multilateral forum, Transport Corridor Europe Caucasus Asia (TRACECA). End Summary.

BSEC: A STEP TOWARD TURKISH-ARMENIAN RELATIONS

2. (SBU) BSEC provides an important forum between Turkey and Armenia. Despite closed borders, Turkey is Armenia's seventh largest trade partner. Armenia's representative to BSEC in Istanbul provides economic diplomatic representation despite the lack of formal bilateral relations between the two countries. Paruyr Hovhannisyan, Head of the International Economic Organizations Divisions at the MFA who previously served in Istanbul's BSEC mission, told us that Armenia uses the BSEC mission to conduct informal discussions with the Government of Turkey on possible changes in the relations between the two countries. For example, the BSEC mission negotiated the initiation of the popular flight between Istanbul and Yerevan (ref C).

ARMENIA INCREASINGLY ISOLATED

3. (SBU) As Azerbaijan moves to tighten the blockade on Armenia (ref B), a multilateral regional forum like BSEC could be an important instrument to expand regional trade without excluding Armenia. (Note: Armenia is conspicuously absent from GUUAM, another multilateral regional cooperation group. End Note.) Armenia is an island in the stream of East-West commerce. The railway that once connected Turkey to the Soviet Union now lies unused because it crosses Armenia on its way to Tbilisi and Baku. Goods from the west bypass Armenia, instead taking an expensive route through Georgia and on to the east. Goods from the east, which necessarily transit Azerbaijan, are prohibited from entering Armenia pursuant to agreements between Azerbaijan and Georgia. As a result, Armenia has some of the world's highest transit tariffs, raising prices on goods and hampering the export economy. This year Azerbaijan has pushed Georgia to enforce these transshipment measures more strongly, and has appealed to TRACECA to finance a new railroad from Kars, Turkey to Tbilisi, Georgia that would create an East-West rail connection bypassing Armenia. In this context, Armenia's participation in BSEC is an important, and often the only, mechanism to keep Armenia talking to its neighbors about regional trade and cooperation.

COMMENT: U.S. COULD HELP BSEC ACHIEVE ITS GOALS (AND OURS)

4. (C) Azerbaijan's efforts to enforce a blockade against Armenia and the economic division of the South Caucasus work against our goal of developing regional cooperation and stability. BSEC provides an important talking ground for otherwise estranged countries, and gives a multilateral push towards reaping the benefits of regional cooperation. We should encourage a strong BSEC that moves toward its goal of

extending multilateral and bilateral ties in the region and we should discourage a BSEC that pursues a policy of isolating any country, including Armenia. Our task will be easier if we become a member, even an observer.

EVANS